

Message Text

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FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 1982
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

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C O R R E C T E D C O P Y - P A R A 2 .

E.O. 11652: N/A
TAGS: ECON, HU
SUBJECT: SUMMER PARLIAMENT MEETING DISCUSSES ECONOMY

1. SUMMARY: THE HUNGARIAN PARLIAMENT HELD ITS SUMMER SESSION JULY 7 AND 8. TWO FORMAL AGENDA ITEMS WERE THE COUNCIL OF MINISTER'S REPORT ON PROGRESS OF THE FIVE YEAR PLAN, AND APPROVAL OF THE REPORT ON THE 1977 STATE BUDGET. ECONOMIC DEBATE, KEY-NOTED BY PRIME MINISTER LAZAR, BALANCED PRIDE IN GROWTH DURING FIRST HALF OF PLAN PERIOD WITH ACKNOWLEDGEMENT OF PERSISTENT PROBLEMS. ALTHOUGH GROWTH MEASURES TO DATE HAVE MET OR APPROXIMATED PLAN TARGETS, FOREIGN TRADE AND BUDGET RESULTS POINT UP FAILURE TO ACHIEVE BALANCED DEVELOPMENT. LAZAR AND OTHER SPEAKERS CALLED FOR PRICE REFORM, ADJUSTMENT OF ECONOMIC REGULATORS, BETTER AND LIMITED OFFICIAL USE

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MORE DISCIPLINED USE OF SCARCE LABOR, AND OTHER ADJUSTMENTS.

2. LAZAR'S COMMENTS ON FOREIGN AFFAIRS WERE SECONDARY PART OF OF SPEECH. HE NOTED WITH SATISFACTION IMPROVEMENTS IN HUNGARY'S BILATERAL RELATIONS WITH WESTERN EUROPE AND UNITED STATES. WITH REGARD TO IMPORTANT U.S.-SOVIET RELATIONSHIP, HE SUPPORTED "PATIENT AND CONSISTENT" SOVIET EFFORTS TO IMPROVE BILATERAL

RELATIONS, AND REGRETTED FAILURE OF U.S. TO RESPOND IN KIND. NONETHELESS, "WE ARE CONVINCED THAT THE STANDSTILL IN INTERNATIONAL DETENTE IS ONLY A TEMPORARY SYMPTOM." THE SESSION ALSO APPROVED CHANGES IN THE PRESIDENTIAL COUNCIL. END SUMMARY.

3. PRESENTATION BY LAZAR, BACKED BY SHORTER SPEECHES BY SECRETARY OF THE HUNGARIAN SOCIALIST WORKERS PARTY KAROLY NEMETH, DEPUTY PRIME MINISTER SZEKER, AGRICULTURAL MINISTER ROMANY AND OTHERS, WAS CHARACTERIZED IN WORDS OF MAGYAR NEMZET EDITORIAL BY "A SENSE OF REALITY AND HEALTHY DISCONTENT." LAZAR BEGAN WITH GENERAL COMMENTS ON GOVERNMENT PERFORMANCE, NOTING THAT GOVERNMENT BODIES HAVE GENERALLY MET INCREASING TASKS WELL BUT THAT PROBLEMS REMAIN. THE GOVERNMENT IS SLOW TO RECOGNIZE AND RESPOND TO NEW DEVELOPMENTS, AND ADMINISTRATION IS OFTEN CUMBERSOME AND OVERLY BUREAUCRATIC. HE STATED THAT "WE HAVE A SUITABLE PROGRAM ... TO IMPROVE GOVERNMENT WORK ..." BUT GAVE NO DETAILS.

4. TURNING TO THE ECONOMY, LAZAR NOTED GROWTH AND IMPROVED PERFORMANCE THAT HAVE BEEN ACHIEVED DESPITE DIFFICULT INTERNATIONAL ECONOMIC SITUATION, CITING STATISTICS OF MAJOR ECONOMIC INDICATORS. DESPITE RECORD OF GROWTH, ECONOMY HAS FAILED TO DEVELOP GOOD ECONOMIC BALANCE, AS CAN BE SEEN IN THE FOREIGN TRADE BALANCE AND BUDGET (COMMENT: LAZAR DID NOT ELABORATE, BUT WAS REFERRING TO DISAPPOINTING EXPORT PERFORMANCE AND TO HIGH AND GROWING PROPORTION OF SUBSIDIES IN BUDGET). EXPERIENCE HAS SHOWN LIMITED OFFICIAL USE

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THAT "IMPROVEMENT OF ECONOMIC EFFICIENCY AND ESPECIALLY OF THE PRODUCTION STRUCTURE ... IS A MORE COMPLEX, MORE EXPENSIVE AND TIME-CONSUMING PROCESS THAN HAD BEEN FORESEEN." ORIGINAL PERFORMANCE TARGETS IN IMPROVING EFFICIENCY AND PROMOTING SECTORAL ADJUSTMENT WILL NOT BE ENOUGH FOR ATTAINMENT OF GOALS OF THE FIVE-YEAR PLAN.

5. LAZAR CRITICIZED PRESENT SYSTEM OF ECONOMIC REGULATORS AND ESPECIALLY PRICES AS NOT SUFFICIENTLY STIMULATING GROWTH OF EFFICIENCY BECAUSE THEY CONTAIN TOO MANY "BALANCING ELEMENTS" WHICH OBSCURE DIFFERENCES IN ENTERPRISE PERFORMANCE. CHANGES IN PRODUCERS PRICES AND CONSUMERS PRICES ARE BEING PREPARED, WITH DUE REGARD FOR LIVING STANDARDS EFFECTS; EVEN BEFORE PRICE REFORM IS READY. REGULATORS WILL BE ADJUSTED BEGINNING WITH PREPARATION OF 1979 PLAN. HUNGARY MUST CONTINUE TO SPECIALIZE IN PROFITABLE LINES OF PRODUCTION WHILE CONTINUING TO STRENGTHEN ECONOMIC COOPERATION WITH BOTH CEMA AND THE REST OF THE WORLD.

6. GROWTH OF INVESTMENT SPENDING HAS OUTSTRIPPED REAL CAPACITY OF ECONOMY AND CONTRIBUTED TO IMBALANCE. GOVERNMENT HAS INSTRUCTED AUTHORITIES TO IMPROVE ORDERING OF INVESTMENT SPENDING. A SPECIAL GOVERNMENT ALLOCATION WILL BE MADE TO THE CONSTRUCTION INDUSTRY TO PURCHASE NEW MACHINERY TO INCREASE CAPACITY. AT

SAME TIME, GOVERNMENT IS PLEASED WITH THE RAPID DISBURSAL OF THE NATIONAL BANK'S SPECIAL 45 BILLION FORINT EXPORT DEVELOPMENT FUND AND IS CONSIDERING AN INCREASE IN THE FUND.

7. IN DISCUSSING CONTINUING LABOR SHORTAGE, LAZAR CRITICIZED ENTERPRISES FOR WASTEFUL LABOR PRACTICES; HE ALSO SPOKE SEVERAL TIMES THROUGH SPEECH OF NEED FOR GREATER LABOR DISCIPLINE AND BETTER WORK ATTITUDES.

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 1983

INFO: RUDKRB/AMEMBASSY BELGRADE 2212

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

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8. LAZAR ACKNOWLEDGED THAT IMPROVEMENTS IN LIVING STANDARDS HAVE FALLEN SOMEWHAT SHORT OF TARGETS. HOUSING WAITING LISTS ARE LONG AND, IN BUDAPEST, STILL GROWING, DESPITE HIGH RATE OF NEW BUILDING. DEVELOPMENT OF SERVICES IN NEW HOUSING AREAS HAS TO BE IMPROVED. SUPPLY OF GOODS HAS IMPROVED; IN THIS CONNECTION, GOVERNMENT IS CONCERNED ABOUT GROWING CONSUMPTION OF ALCOHOLIC BEVERAGES AND WILL TAKE FURTHER MEASURES TO COUNTERACT THIS TREND.

9. LAZAR PRAISED SCIENTIFIC DEVELOPMENT, BUT CALLED FOR MORE APPLICATION OF SCIENTIFIC WORK TO PRACTICAL ECONOMIC USES. HE ALSO CALLED FOR GREATER USE OF FOREIGN KNOWLEDGE THROUGH COOPERATION AND PURCHASES OF FOREIGN LICENSES AND PATENTS.

10. AS NOTED IN SUMMARY, FOREIGN POLICY PORTIONS OF SPEECH WAS MOSTLY ROUTINE. LAZAR SUPPORTED SOVIET POLICIES IN ARMS CONTROL, DETENTE, ETC., BUT ALSO WAS PROUD OF GROWING HUNGARIAN TIES OUT-LIMITED OFFICIAL USE

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SIDE CEMA. HE TOUCHED ON SEVERAL TROUBLE SPOTS, STRONGLY SUPPORTING VIETNAM AGAINST CHINA.

11. OTHER SPEECHES FOLLOWED TONE OF LAZAR'S SPEECH CLOSELY. ALL SPEAKERS NOTED CONTINUING ECONOMIC PROBLEMS AND NEED FOR ADJUSTMENT OF CURRENT ECONOMIC SYSTEM. NEMETH APPEARED AS SPOKESMAN FOR HSWP, PRAISING GOVERNMENT POLICIES FOR FOLLOWING CENTRAL COMMITTEE POLICIES ON SPECIALIZATION IN FOREIGN TRADE AND ON INTERNAL ECONOMIC DEVELOPMENT. NEMETH, MORE THAN OTHER SPEAKERS, EMPHASIZED NEED TO ENSURE THAT CONSUMER PRICE ADJUSTMENTS DO NOT CONTRADICT INCOME GOALS: "SO PRICE CHANGE WILL BE PERMITTED ... ONLY IF CONSISTENT WITH WAGES AND INCOMES AND WITH OUR SOCIAL ASPIRATIONS."

12. AFTER APPROVAL OF COUNCIL OF MINISTERS REPORT, MINISTER OF FINANCE FALUVEGI PRESENTED A BILL APPROVING THE 1977 BUDGET REPORT. ACTUAL BUDGET BILL, AND FULL TEXT OF FALUVEGI SPEECH, ARE TO BE PUBLISHED SOON AND WILL BE REPORTED SEPARATELY. FALUVEGI REPORTED THAT BUDGET RECEIPTS, EXPENDITURES, AND DEFICIT WERE ALL HIGHER THAN PLANNED; TAX REBATES AND SUBSIDIES IN PARTICULAR SEEM TO HAVE BEEN LARGER THAN EXPECTED. BUDGET AS PROPORTION OF NATIONAL INCOME DECREASED WHILE ENTERPRISE RECEIPTS INCREASED, CONTRIBUTING TO EXCESSIVE INVESTMENT EXPENDITURES. MINISTER STATED THAT ENTERPRISES' STOCK OF EQUIPMENT AND MACHINES INCREASED TEN PERCENT IN 1977 OVER 1976, WHILE RISE IN PRODUCTIVITY WAS LESS THAN THIS. FALUVEGI NOTED THAT COUNCIL OF MINISTERS APPROVED "LAST MONTH" SUPPLEMENTARY MEASURES TO IMPROVE SYSTEM OF REGULATORS, INCLUDING WITHDRAWAL OF SOME TAX ALLOWANCES AND SUBSIDIES OF NEW INVESTMENTS AND TIGHTER CONTROLS ON CREDIT.

13. PARLIAMENT APPROVED FOLLOWING CHANGES IN PRESIDENTIAL COUNCIL: LAJOS CSETERKI WAS RELIEVED OF POSITION AS SECRETARY OF THE PRESIDENTIAL COUNCIL AND REPLACED BY IMRE KATONA; KATONA AND JOZSEF LIMITED OFFICIAL USE

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SOMOGYI WERE REMOVED FROM MEMBERSHIP IN THE COUNCIL; SANDOR BARCS, LAJOS MEHES, AND MIKLOS VIDA WERE ELECTED TO PRESIDENTIAL COUNCIL.

14. COMMENT: IN THE ECONOMIC SPHERE, ALL SPEAKERS WERE CONVEYING THE MESSAGE THAT THE FAIRLY GOOD ECONOMIC PERFORMANCE OF

THE LAST TWO YEARS WILL NOT BE SUSTAINABLE IF HUNGARY IS NOT ABLE TO IMPROVE ITS FOREIGN TRADE PERFORMANCE, ESPECIALLY VIS-A-VIS THE WEST (AFTER BELOW-PLAN EXPORT GROWTH IN 1977, HARD CURRENCY EXPORTS FOR THE FIRST FIVE MONTHS OF 1978 ARE ACTUALLY RUNNING SLIGHTLY BELOW THE SAME PERIOD LAST YEAR), REDUCE BUDGETARY SUBSIDIES, AND GENERALLY PRUNE LESS EFFICIENT SECTORS OF HUNGARIAN ECONOMY. IN SUPPORTING REVISION OF THE SYSTEM OF ECONOMIC REGULATORS AND, IN PARTICULAR, PRICE RATIONALIZATION, THE GOVERNMENT LEADERS WERE FOLLOWING THE POLICY LAID DOWN BY THE APRIL HSWP CENTRAL COMMITTEE MEETING, ALTHOUGH IT IS INTERESTING THAT NEMETH SEEMED TO BE MORE CAUTIOUS THAN OTHER SPEAKERS IN EXTENDING THE CALL FOR PRICE REFORM TO THE CONSUMER PRICE SYSTEM.

15. DEMOTIONS OF CSETERKI AND KATONA CONFIRM ACTIONS OF THE HSWP CENTRAL COMMITTEE'S APRIL MEETING. NEW MEMBERS OF PRESIDENTIAL COUNCIL ARE ESTABLISHED FIGURES WHOSE OTHER POSITIONS ARE OF MORE IMPORTANCE THAN THEIR NEW MEMBERSHIP ON PRESIDENTIAL COUNCIL. KAROLY NEMETH OCCUPIED A PROMINENT ROLE AS SECOND SPEAKER AND PARTY SPOKESMAN, BUT BELA BISZKU RETAINED HIS FAVORED SEAT TO KADAR'S RIGHT DESPITE HIS DEMOTION AT THE APRIL MEETING. END COMMENT
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